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Testimony

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STATEMENT BY JOHN R. BLOCK SECRETARY OF AGRICULTURE BEFORE THE HOUSE COMMITTEE ON AGRICULTURE MARCH 31, 1981

Mr. Chairman and members of the Committee, I am pleased to meet with you today.

Before I turn to the Administration's proposals for 1981 farm legislation, I wish to share with you the decisions I have reached and the announcements we are making today on 1981 crops and export credit guarantees.

The basic loan rate for 1981-crop corn will be increased to $2.40 per bushel, compared with last season's level of $2.25. Corn entering the reserve program will now qualify for a $2.55 per bushel entry price (special loan), 15 cents per bushel more than last year's. The target price for corn will be the same as the For 1981 flue-cured tobacco, the loan rate is set at $1.587 per pound, grains will be adjusted to be consistent with corn.

For 1981 crop wheat, the basic loan rate will be increased to $3.20 per bushel, compared with $3.00 last season. The reserve entry loan for wheat will be increased by 20 cents, to $3.50 per bushel. The wheat target price will now be $3.81 per bushel, the minimum level announced on August 15, 1980.

The loan rate for 1981 crop soybeans will remain at $5.02 per bushel.

The loan rate for 1981 crop cotton has already been announced at 52.46 cents per pound. The target price for cotton is determined by statutory formula and for 1981 will be 70.87 cents per pound.

For 1981-crop rice, the loan rate is set at $8.01 per cwt., compared with $7.12 last season. The target price for rice will be $10.68 per cwt., compared with $9.49 in 1980. Both the loan and target levels are mandated by statutory formula.

For 1981 flue-cured tobacco, the loan rate is set at $1.587 per pound, compared with $1.415 in 1980. The loan rate for 1981 crop burley tobacco will be $1.636 per pound, up from $1.459 in 1980. These increases are mandated by law.

These increases in loan and target levels will help producers meet some of their higher production costs.

We have also decided to make available an additional $300 million, of export credit guarantees in fiscal 1981--to bring the total level of export loan guarantees to $2.3 billion. We expect this level to rise to about $2.5 billion in fiscal 1982. This action will help strengthen our agricultural commodity export sales, which is essential to a profitable, market-oriented agriculture.

The actions I am announcing today are consistent with two of this Administration's central goals for U.S. farm policy. One is to remove some of the risk from farming with the least possible Government intrusion into the marketplace and at minimal cost to U.S. taxpayers. The second is to assure that the agricultural exports that have become so critical to this Nation's economy will continue to be able to expand, despite the difficult financial conditions many foreign countries are experiencing.

Today's announcements are consistent with the President's Economic Recovery Program for the revitalization of the U.S. economy. They are also consistent with the current economic and agricultural supply/demand situation. Let me describe briefly the setting in which we have come to these decisions--decisions made in carrying out the Department of Agriculture's role in the President's economic program and in the global commodity situation. World and U.S. Agricultural Situation

The world agricultural supply and demand balance for feed grains, oilseeds, and cotton is the tightest in years, and global beef production remains low. Total agricultural production declined in the United States and in a number of other key areas in 1980, while demand for food has continued relatively strong despite a sluggish economic performance through much of the world. Global stocks of most agricultural commodities are now relatively low, so the weather and its effect on crop production will have a greater bearing than usual this year. Growing conditions have been good so far for most all Northern Hemisphere winter crops and Southern Hemisphere spring crops. There is clearly a possibility for large 1981 harvests and potentially substantial rebuilding of stocks.

Food Grains

The world food grain situation is not as tight as that for the other major agricultural commodities. However, world production in 1980/81 is slightly below 1978/79's record, and consumption is expected to be the largest ever. This will force global wheat stocks down about 12 percent. With large plantings and generally good weather through much of the Northern Hemisphere so far this crop year, there is the prospect of a large 1981/82 wheat crop that could rebuild stocks significantly.

Feed Grains

The world feed grain--corn, oats, barley, sorghum--situation is the tightest on record. A 17-percent drop in the 1980 U.S. feed grain crop has led to a projected 3-percent decline in world production in 1980/81. Nonetheless, heavy foreign demand is driving consumption to a record high and is drawing stocks down 36 percent to a record-low ratio. The global stocks/use ratio is projected to fall to 7.5 percent from last year's 11.8 percent.

Oilseeds

World oilseed production was off considerably in 1980/81. The 20-percent drop in U.S. soybean output last fall is leading to a sharp decline in stocks, despite lower domestic use and exports. Much of the immediate outlook depends on the outcome of soybean harvests this spring in Brazil and Argentina, where crops currently appear to be doing well.

Cotton

Cotton is another commodity seriously affected by last summer's drought in the United States. Though foreign production gained in 1980/81, a drop of a fourth in U.S. output pulled the world total below the 1979/80 record. Stock levels projected for the close of the 1980/81 season are the lowest in 4 years for the world, and in nearly 30 years for the United States. With a recovery in U.S. production, we could see stocks begin to rebuild somewhat in 1981/82.

Livestock

World meat production continued to grow in 1980, furthering a trend that has seen world output increase by a fourth since 1972. However, tight world grain supplies and higher prices could stem that growth this year. Total production in 1981 will probably be about the same as last year, with slightly lower beef and pork output offset by larger poultry supplies.

In the United States, livestock producers are caught in a cost-price squeeze that has persisted since mid-1979. Producers have had to deal with depressed animal prices while the cost of feed and other inputs has been rising steadily. As a result, some reduction in U.S. production is likely in 1981.

The current U.S. dairy situation is dynamic. The strong economic incentives the dairy price support program provides have resulted in sharp increases in milk production and in expenditures for the program each year since 1978/79. As a result of the recent change in the law, net Government outlays for dairy products will be lowered this year, but could still run about $1.6 billion.

U.S. Agricultural Exports

We are forecasting U.S. agricultural exports at $47 billion this fiscal year, 16 percent above last year's record level. Though most of the increase is coming from higher prices, volume is rising too--probably about 3 percent this year.

Agriculture's contribution to our balance of payments has become all the more critical with the deficit in non-agricultural trade now in the neighborhood of $50 billion. The agricultural trade surplus projected for this year is $29 billion, compared with a $23-billion surplus the year before. Truly, our farm exports are paying a big part of our imported oil bill.

U.S. Farm Income Situation

The net farm income picture is improving this year. We expect cash receipts in 1981 to be up moderately, with livestock accounting for more than half the gain. Production expenses will also be increasing, but not enough to erase the gain in receipts. The projected level of $27-32 billion of net income for calendar 1981 is about a third above

1980's. That is not good enough!

The financial condition of a great number of U.S. farmers and ranchers is poor. Rising input costs and high interest rates have left a great number of producers with mounting debt loads and serious cash flow problems. Inflation has reduced real farm income over the past few years and has proved to be the farmer's worst enemy.

Food Prices

Food prices are forecast to average 10-15 percent higher this year than in 1980--mainly reflecting rising marketing costs and a much needed recovery in livestock prices from their depressed levels of last year. The marketing charges that occur from the farm gate to the retail counter account for 60-70 percent of the food dollar.

It is worth noting that even with the rise in food prices in the past several years, U.S. consumers, as an average, continue to spend a smaller share of their total expenditures on food than anywhere else in the world--and the share in this country has been dropping. In 1950, U.S. consumers devoted an average 28 percent of their total consumer expenditures to food; in 1980, only 16-1/2 percent. In the United Kingdom and Japan, the share is about a fourth, in the Soviet Union around half, and in the developing countries close to two-thirds.

1981 Farm Legislation

Overview

The U.S. agricultural sector makes an important contribution to the economic health of this Nation.

Our agricultural system is the most productive in the world and it exhibits one of the highest productivity growth rates of any sector of the U.S. economy. Agricultural output has increased nearly 70 percent since 1950, while total input use has increased by only 2 percent. This stellar performance has provided the consumers of this Nation with a low cost but readily available, high quality food supply--and that generous food supply must be continued, but with adequate net returns to farmers.

The economic activity generated by farm products as they flow through our economic system accounts for a full 20 percent of this Nation's gross national product and makes agriculture the Nation's

biggest employer. The 23-million plus people who are employed as a result of agriculture make up a fifth of this Nation's labor force.

Agriculture is the largest net contributor to our balance of payments. As I indicated earlier, agriculture's near $30-billion trade surplus is the major bright spot in our foreign exchange picture.

Quite clearly, we must keep in mind the vital role that agriculture plays in the economy of the United States as we proceed with our deliberations on future legislation.

Our legislative proposals revolve around three basic objectives. One is to reduce the role of Government in agriculture--both in the marketplace and in the regulatory process. A second objective concerns maintaining--and increasing--growth in the productivity of the agricultural sector and in our level of agricultural exports. Finally, we need to pursue these objectives at the minimal possible cost to the U.S. Government and with a maximum amount of flexibility to make needed adjustments in a timely manner.

Major progress has been made over the past two decades in giving farmers the freedom to decide what and how much to produce and when and how to market their crops. For grain and cotton, we have moved from the rigid, inflexible programs of the 1940's and 1950's to programs that are more closely geared to market performance and recognition that U.S. farmers can manage their destiny far better than can the Government. We seek to continue this thrust--further unleashing the production potential of America's agriculture--in the program recommendations that we are bringing to the Congress.

A major element that characterizes all our recommendations is simplification of programs wherever possible. Some programs that began with only two or three key features--such as a loan rate and an allotment--have over time been reshaped to include crop set asides, national program acreages, allocation factors, normal crop acreages, cross-compliance, offsetting-compliance, target prices, loan rates, special loan rates, and Grain Reserves I, II and III.

The point to be made here is obvious. Our farm programs have become needlessly complex. They are hard to understand and difficult to use. Where possible, we need to simplify the structure of the programs while, at the same time, we continue to provide the economic safety net that our farmers need.

While closely examining our farm programs, we must continue to recognize, of course, that agriculture is an inherently unstable business. Natural forces--weather, pests, diseases, and production governed by biological processes--dictate the annual outcome. Added to these natural forces are market uncertainty and instability arising from changing economic and political events throughout the world. As we export more, world conditions have a greater influence and add a new dimension of instability.

With the world agricultural supply and, demand balance relatively tight and the demand for food continuing strong, another key policy issue arises: how to take full advantage of rapidly expanding export markets for farm products while avoiding the severe effects that rapid changes can bring. It is most important that this be done, however, without a major and unwarranted Government presence in the market place.

We have carefully reviewed the program authorities found in the 1977 Act and in companion legislation. It is our contention that from this base we should seek to design food and fiber programs that further the long-standing trend toward greater market orientation and significantly reduced complexity and cost.

Farm Commodity Programs

I know this Committee shares my view that we must have legislation to undergird programs for the major farm commodities. The proposals that I am laying before you are straightforward and simple. They will provide the maximum protection to producers at a reasonable cost.

To operate these commodity programs effectively, we propose that the Congress continue the broad discretionary authority granted to the Secretary of Agriculture. It is only through the use of this authority that we can design and operate commodity programs that are tailored to the prevailing supply and demand conditions. Without this flexibility, we risk returning to a regulated set of programs that easily lose their relationship with fundamental economic conditions and end up sending the wrong signals to producers--incentives that are either too high or too low.

Major Crop Programs

The key features of our proposal for the major crop commodities are nonrecourse loans, a farmer-owned wheat and feed grain reserve, and the authority to implement an acreage diversion program when and if needed.

Let us now turn to the specific features of the proposal:

Loan Rates. Basic loan rates for major crop commodities will continue to be set at levels that will allow U.S. commodities to compete in world markets. However, the loan rates will be high enough to provide an effective safety net and help farmers with their short-term financing needs for production and marketing. For the crops of grain and soybeans for 1982 and beyond, I will, as I have done this year, analyze the supply and demand conditions surrounding each crop and make my decision accordingly. The loan rate for cotton will continue to be determined by a formula that reflects world price levels.

Farmer-Owned Reserves. The farmer-owned grain reserve will protect against extreme fluctuations in grain supplies and prices.

The reserve will operate by accumulating wheat and feed grains during periods of excessive supplies and releasing those supplies during periods of shortage. The primary purpose of the reserve will not be to either enhance prices or place a lid on prices, but rather to guard against extreme fluctuations so that our livestock producers and our foreign customers can be assured of a reliable source of supply.

To encourage grain to move into the reserve, entry loan levels will be determined each year. As in 1981, these levels will reflect costs, excluding land, in major producing areas and will reflect other relevant economic factors such as world supply and demand conditions.

Other incentives to participate in the farmer-owned reserve will be adjusted each year in response to supply and demand conditions. Annual storage payments will reflect storage costs and other factors.

We would expect storage payments to run somewhere between 20 and 30 cents per bushel per year, barring some unusual developments. We are also recommending authority to waive the cost of interest charged farmers during the second and third years of the program.

Under this proposal, farmers will be given the opportunity to enter the reserve program directly. Once they have signed a contract to participate in the reserve for a 3-year period, they will be required to

hold their grain in reserve until the price reaches a release trigger. This trigger will be based on the full cost-of-production in major producing areas, as well as other factors. This proposal will allow for a wider corridor in which prices may move, reflecting basic supply and demand conditions.

Like the other features of this proposal, we will use discretionary authority to set this level each year. But unlike the present reserve program, our proposal is uncomplicated. Once the release trigger is reached, the storage payment will stop and farmers will have the choice of keeping their grain in the reserve or removing it. If they choose to remain in the reserve, they will be charged the full-market rate of interest.

There is no "call" provision in our proposal, and we will not take steps to force grain onto the market, as the current program does. We do, however, propose to retain authority to call the loans if highly unusual circumstances unfold.

To prevent the reserve from becoming too large and too costly, we are recommending that the size of the reserve be limited. We will limit the reserve to no more than 12-15 percent of annual U.S. feed grain output and 18-20 percent of annual wheat production. This would be in addition to the 4 million tons of wheat in our Food Security Wheat Reserve. We stress that these levels are maximums; the quantity that will be held in the reserve at any given time will reflect actual market conditions.

Production Controls. Once the reserve is full, we will stand ready to offer producers a voluntary paid diversion program--if global supply prospects indicate another large crop in the offing. To further simplify the operation of commodity programs and reduce Government regulations, we are recommending that the authority to use set-asides and the requirement to calculate Normal Crop Acreage (NCA) abolished.

Target Prices and Deficiency Payments. To eliminate direct Federal payments and reduce budget exposure, we are proposing that target prices and deficiency payments be eliminated beginning with the 1982 crops of wheat, feed grains, rice and cotton. The target price program was designed to protect producers before the advent of the reserve program, and it has since lost most of its usefulness. We are

philosophically opposed to most direct payments, in contrast with commodity loan programs where costs are recoverable.

Disaster Payments. We are proposing that we eliminate low-yield and prevented-planting disaster payments. They are no longer necessary as a result of passage of the comprehensive Federal Crop Insurance Act of 1980.

Dairy

We strongly believe in the need for an effective price support program for milk. The potential seasonal and longer-term swings in milk production are so great that producers and consumers can both benefit from an effective program. Severe drops in milk prices are prevented by a level of minimum price support. Sharp price upswings are moderated by moving government-owned dairy products onto the market when supplies are tight. Only with such a program can we be assured of the farm income necessary to maintain our productive capacity.

The Department's milk price support program has been a prime concern of this Administration. For the past 3-1/2 years, the law has required that milk be supported at no less than 80 percent of parity, adjusted semi-annually. This level of price support has given dairy farmers a very strong economic incentive to produce an increasing volume of milk. As a result, production has increased rapidly--more rapidly than consumption. Surpluses of milk have had to be purchased by the Government in the form of processed dairy products. The CCC owns a growing stock of surplus butter, cheese, and nonfat dry milk. There is no immediate commercial demand for these stocks.

On February 13, we recommended a change in the law to permit me to forego the increase in milk price supports scheduled for April 1. The Congress recognized that such an increase would have given precisely the wrong signal to milk producers, and Congress moved very quickly to provide that authority. I want to thank the Congress for its timely and responsible action.

While this legislation was helpful, in order to tackle the longer-run problem we propose a more flexible milk price support program. While the structure of the program would remain unchanged, the support level would be set between 70 and 90 percent of parity, adjusted as

needed. The support level on October 1, 1981, would not be lower than the current $13.10 per hundredweight.

We are aware that this level of support may disappoint some dairy farmers. I want to assure you that we are making this recommendation only after careful evaluation of future milk production and use. At the present time, a price support level of 75 percent parity would be too high. We estimate that a 75 percent of parity price support level would have a net cost of at least $908 million in FY 1982. The CCC would have to purchase more than 5 percent of the total dairy production. While price support levels above 70 percent of parity may be appropriate in many years, we must have the flexibility to adjust the support level so that supply and demand are in balance.

Much of the focus has been on minimum price support levels. In fact, an important reason for proposing a wider range between minimum and maximum support levels is so that the program can be operated effectively. I know that inappropriately low price support levels encourage milk producers to make long-term production cuts in response to seasonal price swings--a costly situation because it takes years to replace a herd once it is liquidated. There will be those who predict that the added flexibility we are proposing will destroy our dairy farms and inevitably lead to milk shortages. I want to emphasize that there is no justification for a milk price support program that risks shortages of milk. We realize that milk is a unique commodity. This Nation has a policy that an ample and wholesome supply of milk is essential for the nutritional needs of our citizens, especially our children.

Peanuts

One commodity that remains closely regulated by a Federal government program is peanuts. We would like to see the United States become more competitive in the production and export of peanuts. Achieving this goal will require further changes in the peanut program which the 1977 Act started when it first modified the permanent legislation.

We propose that this process be continued but that we eliminate acreage allotments and reduce poundage quotas by 10 percent annually over the next four years. By reducing marketing quotas gradually rather

than immediately eliminating them, we can protect allotment holders against an abrupt adjustment in their asset base.

Agricultural Exports

In order to develop markets that otherwise might not be available to us because of a lack of purchasing power by prospective buyers, we are increasing the loan guarantee level for the Commodity Credit Corporation's export credit program by $300 million for the remainder of fiscal year 1981. We intend to review the need for export credit each year and make whatever adjustments the global commodity supply/demand situation suggests.

Foreign Food Assistance

As part of the Administration's Farm Bill, a four-year reauthorization of the Public Law 480 program is recommended. This Administration recognizes the valuable tool this legislation provides the President and the broad support it enjoys among the American people. P.L. 480 has stood the test of time--it has been responsive over more than a quarter of a century. In addition to its reauthorization, several amendments of a technical nature to help update the Act will be submitted. The most significant of these is the deletion of outdated provisions that establish, on a calendar year basis, authorization ceilings for both Titles I and II; current budget and appropriation processes make these provisions no longer necessary.

Food Stamp Program

The Administration will send changes in the food stamp program to the Congress with the intention that program savings can be achieved at the earliest possible time by including them in the President's Economic Recovery Program. These proposed changes have been discussed fully with the Congress and, therefore, I will not discuss them further with you today.

Soil and Water Conservation

We are thoroughly reviewing the options put forward through the Resource Conservation Act process. We pledge that we will prepare a comprehensive soil and water conservation program for the

consideration of the Congress by December 1, 1982. If we are to sustain our ability to produce food and and fiber for this Nation and our customers abroad, we must reduce any serious erosion of our soils and develop an effective program for the future growth of our agricultural sector.

Agricultural Research

A vital key to sustaining the productivity of American agriculture is the support of our agricultural research efforts. We are committed to providing adequate funding for research and education aimed at continued gains in the productivity of the agricultural sector and to ensure that funds are spent as effectively as possible.

To these ends, we are proposing a few changes to programs included under Title XIV of the 1977 Farm Bill. These changes include an emphasis on the contination of the lead role for the Secretary of Agriculture in agricultural research and extension and an increase in the role of the States in the overall effort of the Department in these activities. We believe that the Federal-State partnership that has developed over the years needs to be strengthened and expanded.

We will present additional details of the Department's proposals on a title-by-title basis, and a comprehensive bill to the Congress shortly.

This concludes my prepared statement. I thank you for your attention and welcome any questions you might have.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

COMMENT PERIOD AGAIN EXTENDED IN PROCEEDING FOR 29 MILK ORDERS

WASHINGTON, March 27--The deadline for the public to file exceptions to a recommended decision that would amend price announcement procedures in 29 federal milk marketing orders has been extended to April 13.

Herbert L. Forest, dairy official with the U.S. Department of Agriculture's Agricultural Marketing Service, said this second extension was requested by Central Milk Producers Cooperative representatives, who asked for more time to examine the recommended decision.

Forest said the proposal--the only one supported at a public hearing in Clayton, Mo., last August--would provide that the Class II price for a particular month be announced on a tentative basis by the 15th day of the preceding month. The final Class II price could not be less than the Class III price for that month. The final Class II price would be announced by the fifth day of the following month when the Class III price becomes known.

The hearing to consider changing the Class II price announcement procedures in the 29 orders was necessitated by an order of the U.S. Court of Appeals for the District of Columbia, which ruled the existing announcement procedures invalid.

The notice of the extension was published in the March 25 Federal Register, available at many public libraries. Exceptions to the recommended decision should be sent to: Hearing Clerk, Rm. 1077-S, USDA, Washington, D.C. 20250.

The 29 milk orders that would be affected by the recommended decision are: St. Louis-Ozarks, Georgia, Tennessee Valley, Chicago Regional, Southern Illinois, Louisville-Lexington- Evansville, Indiana, Central Illinois, Greater Kansas City, Nebraska-Western Iowa, upper Midwest, Neosho Valley, Wichita, Eastern South Dakota, Iowa, New Orleans-Mississippi, Greater Louisiana, Memphis, Nashville, Paducah, Fort Smith, Red River Valley, Oklahoma Metropolitan, Central Arkansas, Lubbock-Plainview, Texas, Central Arizona, Texas Panhandle, and Rio Grande Valley.

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SECRETARY BLOCK TO CONFER WITH EUROPEAN AGRICULTURAL LEADERS

WASHINGTON, March 30--Secretary of Agriculture John Block is scheduled to speak at the seventh ministerial session of the World Food Council in Belgrade, Yugoslovia, May 25, and to meet with West European agricultural leaders during a 12-day trip to six countries. He will leave Washington May 23 and return June 4.

Block will meet with officials of the European Economic Community May 26. At each of his other stops, he will meet with cabinet level officials.

Block will be in The Hague, The Netherlands, June 2-4, to open a 5-day conference of 31 agricultural counselors and attaches stationed at U.S. embassies throughout Europe, the Near East and Africa. These meetings will cover trade problems and U.S. objectives in markets that in 1981 will import about $20 billion in U.S. farm products.

The tentative itinerary follows:

May 23	Frankfurt (rest stop)
May 25-26	Belgrade
May 26-27	Brussels
May 28	London
May 29-30	Paris
May 31-June 2	Bonn
June 2	Hamburg
June 2-4	The Hague

A list of USDA officials who will accompany Block will be issued at a later date.

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Number of schools taking part[b]	32,737	34,577	34,577
Children participating (millions)	3.6	3.8	3.8
Percentage of breakfasts served free or at reduced price	84.8	86.0	85.6
Child care food program:			
Number of outlets taking part	32,806	45,233	45,367
Children participating thousands)	696.3	753.2	754.5

[a]Due to monthly fluctuations, federal administrative expenditures are excluded from the program.
[b]These data are collected semi-annually (October and March). Figures for the latest available month are listed.

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USDA LICENSES FROZEN NEWCASTLE-BRONCHITIS VACCINE

WASHINGTON, March 31--U.S. Department of Agriculture animal health officials have issued a license to Select Laboratories of Gainsville, Ga., for marketing frozen Newcastle-Bronchitis vaccine.

"This is the first time we've licensed Newcastle-Bronchitis vaccine in a frozen form," said Robert J. Price, a veterinarian with USDA's Animal and Plant Health Inspection Service. "Previously, the only Newcastle-Bronchitis vaccine we licensed was freeze-dried."

The new vaccine contains the B1 type, B1 strain Newcastle disease live virus, and Massachusetts and Connecticut types of the infectious bronchitis live virus, chicken embryo origin, Price said.

It is distributed in ampules of 1,000 or 5,000 doses, which are stored and packed in liquid nitrogen to preserve the vaccine indefinitely at full potency. This also is the first time the vaccine has been available in ampules of 5,000 doses, Price said.

Newcastle disease--B1 strain--and avian infectious bronchitis--Massachusetts and Connecticut types--are widespread diseases of chickens. Hatcheries routinely vaccinate baby chicks for these diseases.

USDA RELEASES PRELIMINARY FOOD ASSISTANCE DATA FOR JANUARY 1981

WASHINGTON, March 31--The U.S. Department of Agriculture's Food and Nutrition Service today released the preliminary estimates of participation in the federal-state food assistance programs for January 1981, with comparisons to January and December 1980. They are:

	Jan. 1980	Dec. 1980	Jan. 1981
Food stamp program:			
People participating (millions)	20.4	22.2	22.5
Value of bonus coupons (millions)	$718.7	$762.3	$933.3
Average bonus per person	$35.19	$34.31	$41.47
Food distribution on Indian reservations:			
Number of projects in operation	36	64	65
People participating (thousands)	51.8	66.7	66.8
Special supplemental food program (WIC):			
People participating (millions)	1.771	2.256	2.256
Federal food costs (millions)[a]	$45.7	$63.7	$63.7
Commodity supplemental food program:			
Number of projects in operation	22	21	21
People participating (thousands)	105.1	108.6	110.9
National school lunch program:			
Number of schools taking part[b]	94,327	94,514	94,514
Children participating (millions)	26.9	26.5	26.5
Children reached with free or reduced price lunches (millions)	11.9	12.3	12.2
Percentage of lunches served free	37.2	39.4	39.2
Percentage of lunches served at reduced price	6.9	7.3	7.4
School breakfast program:			

USDA licenses all veterinary biologics--such as vaccines or bacterins--intended for interstate distribution, Price said. Under the Virus-Serum-Toxin Act of 1913, vaccines must be proven safe, pure, potent and effective. Currently, USDA licenses 43 establishments and 886 products.

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USDA ANNOUNCES 1981 SUPPORT PRICES AND OTHER MAJOR COMMODITY PROGRAM DETAILS

WASHINGTON, March 31--Secretary of Agriculture John Block today announced increases in the loan and purchase rates for the 1981 crops of feed grains, rice, tobacco and wheat. The loan and purchase rate for soybeans remains unchanged from the 1980 level, he said.

He also announced increased target prices for cotton, feed grains and wheat, and special loan rates for this year's crops placed in the farmer-owned grain reserve. Reserve entry dates for 1981 crops will be determined at a later date.

Earlier a 1981 loan rate of 52.46 cents per pound was announced for upland cotton.

None of the 1981 commodity programs will require a producer to set aside cropland or to plant within a farm's normal crop acreage to qualify the producer for program benefits, Block said.

Block also said there would be no land diversion program or special wheat acreage grazing and hay program for the 1981 crop of wheat.

The 1981 regular and reserve loan rates and the 1981 target prices, compared with 1980 support prices, are:

	Target Prices		Loan Rates			
Commodity	1981	1980	1981 Regular	1981 Reserve	1980 Regular	1980 Reserve
Wheat (bu.)	$3.81	$3.63	$3.20	$3.50	$3.00	$3.30
Corn (bu.)	2.40	2.35	2.40	2.55	2.25	2.40
Sorghum (bu.)	2.55	2.50	2.28	2.42	2.14	2.28
Barley (bu.)	2.60	2.55	1.95	2.07	1.83	1.95
Oats (bu.)	n/a	n/a	1.24	1.31	1.16	1.23

Soybeans (bu.)	n/a	n/a	5.02	n/a	5.02	n/a
*Rice (cwt.)	10.68	9.49	8.01	n/a	7.12	n/a
*Upland Cotton (lb.) .	.7087	.584	.5246	n/a	.48	n/a

* Support rates determined by statutory formula.

* Tobacco Loan Rates (lb.)	1981	1980
Flue-cured, types 11-14	158.7	141.5
Burley, type 31	1636.	145.9
Virginia fire-cured, type 21.	111.0	98.9
Kentucky-Tennessee fire-cured, types 22-23	111.0	98.9
Dark air-cured, types 35-36	98.7	88.0
Virginia sun-cured, type 37.	98.7	88.0
Cigar binder, types 51-52....	113.3	101.0
Cigar filler and binder, types 42-44, 53-55............	81.8	72.9
Puerto Rican, type 46	84.9	75.7

* Support rates determined by statutory foumula.

For 1981-crop rice, Block said the 1.8 million-acre national allotment established by law is apportioned to producers on the basis of allotments established for the 1975 rice crop. Only rice grown on allotment acres is eligible for loans and target price protection. Rice allotments for individual farms are used to determine loan eligibility and to compute any deficiency payments due.

State committees of the Agricultural Stabilization and Conservation Service in Florida and Texas may reserve up to one percent of the allotment within their state for new growers and for adjustment and corrections. These reserves and state acreage allotments are shows in the following table.

State	Apportionment of National Allotment	Reserve
Arkansas	435,397.4	0
California	326,798.7	0
Florida	958.9	9.5
Louisiana		
Farm Administrative Area	499,426.0	0
Producer Administrative Area	18,187.3	0
Mississippi	50,819.9	0
Missouri	4,967.8	0
North Carolina	41.0	0
Oklahoma	163.2	0
South Carolina	2,637.5	0
Tennessee	288.3	0
Texas	460,314.0	50.0
U.S. Total	1,800,000.0	59.5

The law establishes a limit of $50,000 a person can receive in payments under a combination of the rice, wheat, feed grains and upland cotton programs. This limitation does not apply to loans or purchases.

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RECENT EXOTIC NEWCASTLE DISEASE OUTBREAK ERADICATED WITH LITTLE IMPACT

WASHINGTON, March 31--Despite its potential for destruction, last fall's nationwide outbreak of highly contagious exotic Newcastle disease was eradicated with little impact on the U.S. poultry and pet bird populations, a U.S. Department of Agriculture veterinarian said today.

"Shipments of infected or exposed birds led USDA inspectors to 2,046 pet stores, private and commercial aviaries, and fancy and

commercial flocks in 45 statues," said Keith Hand of USDA's Animal and Plant Health Inspection Service. "Altogether, there were nearly 7.5 million birds on the affected premises. We had to destroy 30,080."

Of the birds destroyed, he said, 9,271 came from three locations in Miami, Fla., and 5,089 from one location in Houston, Texas. Over 1,000 of these birds died before the disease was confirmed, he said.

"These four locations were the original outbreak sites--all subsequent spread occurred from these sites," Hand said.

"All birds shipped from the four primary sites were tracked and purchased for diagnostic purposes," he said. "In 504 instances, testing showed no trace of the disease, and no further birds were bought.

"However, 45 wholesale and retail premises were infected and 10,240 birds were destroyed there," he said. "The disease also infected 105 birds in 18 private homes."

Infected birds were found in 23 states--from Hawaii and California in the west, to Maine and New Jersey in the east, from Minnesota in the north, and to Texas and Florida in the south.

"Had we not moved rapidly to eradicate this disease," Hand said, "I have no doubt that the virus would have spread to poultry, causing massive losses to farmers and driving up prices at the retail, consumer level."

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FmHA RAISES INTEREST RATES FOR FARM PROGRAMS

WASHINGTON, April 1--The U.S. Department of Agriculture's Farmers Home Administration will increase its interest rates for farm program loans effective at close of business on Friday, April 3, according to acting Administrator Dwight Calhoun.

Interest rates for Farmers Home Administration loans fluctuate closely with the cost of money to the U.S. Treasury, rates charged by private rural lending institutions, and those charged in the general money market, Calhoun said.

The interest rate for FmHA farm ownership loans will increase by one percentage point, from 12.25 percent to 13.25.

Farm operating loans and economic emergency loans will also increase by one point, from 13 percent interest to 14 percent.

The interest rate for loans to cover actual losses due to a natural disaster for farmers who can also obtain credit from other sources will increase from 13.375 percent to 14 percent.

The interest on farm disaster loans in excess of actual loss will also increase. For production loans the interest rate increases from 13 percent to 14.5 percent and for real estate loans, from 12.25 percent to 13.25 percent.

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INTEREST RATES INCREASED FOR 1981-CROP, STORAGE FACILITY AND DRYER LOANS

WASHINGTON, April 1--Increases in loan rates to 14-1/2 percent for 1981-crop loans and farm storage facility and dryer loans, and other changes in the facility loan program were announced today by a U.S. Department of Agriculture official.

Edward Hews, acting executive vice president of the Commodity Credit Corporation, said the increase affects all facility and dryer loans approved beginning April 1 and 1981-crop commodity loans. Further, he said, beginning next October, the interest rate on 1981 crop and facility loans made after today will carry a "floating" interest rate, subject to adjustment each Oct. 1 and April 1.

Previously, CCC had charged 11-1/2 percent on crop loans and 12-1/2 percent on facility and dryer loans.

The new interest rate and the variable adjustment procedure will not apply to 1980 crop loans and facility and dryer loans already in effect, Hews said.

Interest rates announced today are based on the cost to CCC of borrowing money from the U.S. treasury, Hews said. The change to a variable interest rate on outstanding loans will enable CCC to adjust rates in line with treasury borrowing costs, he said.

Hews also announced the following changes in the farm storage facility and dryer loan program:

--An increase in the loan down payments from 15 percent to 25 percent.

--Storage needs will be based on one year's production instead of two years'.

--All existing storage space will be considered in determining storage capacity. In the past, space already in use to store grain under the farmer-owned grain reserve was not counted in figuring storage needs.

--The maximum term of new loans will be five years; existing loans are for eight years.

--The maximum amount a farmer may borrow or have outstanding under the program is reduced from $100,000 to $50,000.

Hews said the higher interest rate and the actions for making facility and dryer loans announced today are expected to result in a savings to the U.S. government of about $29 million for the balance of fiscal year 1981 and $145 million for fiscal year 1982.

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NO 1980-CROP CORN, SORGHUM DEFICIENCY PAYMENTS

WASHINGTON, April 2--The U.S. Department of Agriculture will make no deficiency payments on the 1980 crops of corn and sorghum, according to Edward Hews, acting administrator of USDA's Agricultural Stabilization and conservation Service.

Under current legislation, deficiency payments are made to producers when the average market price received by farmers during the first five months of the marketing year (October through February) is less than the established "target" price.

The national weighted average price received by farmers during the October 1980 through February 1981 period was $3.11 per bushel for corn and $3.04 per bushel for sorghum. Since these prices are above the 1980 target price of $2.35 per bushel for corn and $2.50 per bushel for sorghum, no deficiency payments are required, Hews said.

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